(c) whether funds are being separately set up to compensate the depositors either in whole or in part?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI R. JANARTHANAM): (a) Reserve Bank of India (RBI) have reported that under the present system, the data relating to loss suffered by the depositors because of irregularities in Non Banking Financial Companies is not generated.

(b) RBI Act 1934 which was amended in January, 1997 vests additional powers in the RBI. Consequent to this Amendment, RBI with a view to protecting the interest of the depositors and providing more effective supervision over Non Banking Financial Companies (NBFCs), particularly those accepting public deposits, announced a new regulatory framework on 2.1.1998, covering inter alia, acceptance of public deposits, prudential norms to be observed by NBFCs and the role of Auditors of NBFCs. These directions have been subsequently modified on January 31 and May 12, 1998. The revised regulations stipulate an upper limit of public deposit which NBFCs can accept and which limit is linked to the credit rating by an approved rating agency. There is no proposal at present for further legislative amendments in this regard.

(c) There is no proposal to set up a separate fund to compensate the depositors either in whole or in part.

Replacement of FERA by FEMA

1436. SHRI JOYANTA ROY: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Foreign Exchange Management Act (FEMA), supposed to replace the existing Foreign Exchange Regulation Act (FERA) is likely to be passed in the Budget Session of Parliament.

(b) if so, the details thereof and whether the aforesaid Bill for liberalising the foreign exchange regime is in tune with the global financial trends; and

(c) if not, the reasons therefor and by when Government proposes to enact this legislation as part of the financial reforms?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) to (c) The Government proposes to repeal FERA, 1973 and replace it by Foreign Exchange Management Act (FEMA). The draft of the new Act is under consideration of the Government. It is proposed to introduce the FEMA Bill in the Budget Session of the Parliament.

Guidelines for NBFCs

1437. SHRI JOYANTA ROY: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Reserve Bank of India (RBI) have recently promulgated specific guidelines wherein they have prohibited all Non-Banking Financial Companies (NBFCs) from acquiring permanent assets if they have failed to repay the investors' money;

(b) if so, the details thereof and whether these guidelines whould be equally applicable to Residuary Non-Banking Companies (RNBCs) also and if not, whether a separate set of orders would be issued for them; and

(c) what machinery has been/is proposed to be drawn up by the R.B.I. to monitor the strict adherence of these guidelines by the concerned companies?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI R. JANARTHANAM): (a) Yes, Sir.

(b) A new paragraph 11A has been inserted in the Non Banking Financial Companies prudential Norms (Reserve